

## **Guidance on Accounts Receivable, Federal Grants, & Deferred Revenue**

### **Accounts Receivable:**

The balance shown on the trial balance must be verified to ensure that the correct balance has been recorded. This balance should represent amounts owed by NON STATE AGENCIES EXCLUDING OTHER GOVERNMENTS and NON GRANTORS.

#### **If the agency uses the Accounts Receivable module in AASIS (i.e. customers are invoiced via transaction FB70):**

The subsidiary ledger must agree to the balance shown on the trial balance in GL account 1130001000 – Customer Accounts Receivable. The subsidiary ledger must be verified for accuracy using transaction FBL5N.

Transaction FBL5N:

1. Enter GL 1130001000
2. Select “Open Items” and enter 06/30/2005 in the date field
3. Under Dynamic Selections, enter your business area
4. Execute

Each individual receivable should be reviewed for accuracy. Items older than one year should be researched to see why these items have not been collected.

If adjustments are needed, entries should be posted to GL account 1130001100 – Accounts Receivable Closing Entries using the appropriate Non Budget Relevant (NBR) revenue GL account. (A complete list of NBR GL accounts can be accessed at [http://www.arkansas.gov/dfa/accounting/acc\\_services\\_reports.html#2](http://www.arkansas.gov/dfa/accounting/acc_services_reports.html#2).) Supporting documentation must be submitted to DFA-CAFR if any adjustments are made. Adjustments will most likely be related to errors found while verifying the subsidiary ledger. An example would be that a receivable balance for a customer shown in the subsidiary balance has been paid due to the receipt of the payment being processed incorrectly in AASIS. This error would have to be adjusted at June 30, 2005 so that the receivable balance is correct using transaction FBS1 in period 13(which will reverse in fiscal year 2006). Then, the agency will need to clear the balance in the current fiscal year correctly.

Another example of an adjustment that would have to be posted to GL account 1130001100 – Accounts Receivable Closing Entries would be balances that are due from another State agency. Amounts that will be received from other agencies must be reclassified to GL account 1140001000 - Inter Agency AR. The following entry would be made in period with transaction FBS1 to record the reclassification:

Debit 1140001000 – Inter Agency AR  
Credit 1130001100 – Accounts Receivable Closing Entries

If items are believed to be non-collectible, an Allowance for Uncollectible Accounts (GL account 1130005000) must be recorded to reflect this. ALL items with due dates older than 1 year should be included in this allowance, unless the agency deems them to be collectible. The agency should provide explanations for those items as to why these are not included in the allowance. The allowance should be recorded in period 13 in GL account 1130005000 using the appropriate NBR revenue GL account. The fund and cost center used to record the receivable should also be used to record the allowance. Supporting documentation must be provided to support the balance recorded in the allowance. The entry to record the allowance would be recorded with transaction FBS1 in period 13:

Debit NBR-Revenue (The most appropriate GL account)  
Credit 1130005000 Allowance for Uncollectible Accounts

PLEASE NOTE: See deferred revenue section for additional necessary entries.

If the agency feels that the subsidiary ledger is too large to submit to DFA-CAFR for supporting documentation, the agency should contact their CAFR liaison. If the CAFR liaison agrees that it is too large to submit on paper, then a form will be provided that may be submitted in place of the FBL5N report. The form must be completed in its entirety to be accepted as a substitute for the FBL5N report. A copy of the last page of the report must be attached to this form showing the total amount of receivables.

**If the agency DOES NOT use the Accounts Receivable module in AASIS:**

If an agency doesn't use the Accounts Receivable module in AASIS, then an entry must be in GL account 1130001100 – Accounts Receivable Closing Entries to reflect the receivable balance as of June 30, 2005. This entry should be made in period 13 using the appropriate Non Budget Relevant (NBR) revenue GL account, fund, and cost center. (A complete list of NBR GL accounts can be accessed at [http://www.arkansas.gov/dfa/accounting/acc\\_services\\_reports.html#2](http://www.arkansas.gov/dfa/accounting/acc_services_reports.html#2).) Any adjustments to this account balance would be recorded with transaction FBS1 in period 13:

Debit 1130001100 – Accounts Receivable Closing Entries  
Credit NBR - Revenue (Use the most appropriate GL account(s). This may be more than one account.)

If any of the receivables as of June 30, 2005 are amounts that are due from other State agencies, these receivables must be recorded in GL account 1140001000 – Inter Agency AR. The entry would be entered using transaction FBS1 in period 13:

Debit 1140001000 – Accounts Receivable Closing Entries  
Credit NBR - Revenue (Use the most appropriate GL account(s). This may be more than one account.)

PLEASE NOTE: See deferred revenue section for additional necessary entries.

A detailed listing should be provided to DFA-CAFR so that the balance recorded can be verified. A screen print of the entry made is not sufficient as supporting documentation. This listing should be what the agency uses to track their receivables. The listing should be reviewed for accuracy and footed BEFORE submitting to DFA-CAFR.

If items are believed to be non-collectible, an Allowance for Uncollectible Accounts (GL account 1130005000) must be recorded to reflect this. ALL items with due dates older than 1 year should be recorded in this allowance, unless the agency deems them to be collectible. The agency should provide explanations for any items older than one year as to why they are not included in the allowance. The allowance should be recorded in period 13 in GL account 1130005000 using the appropriate NBR revenue GL account. The fund and cost center used to record the receivable should also be used to record the allowance. Supporting documentation must be provided to support the balance recorded in the allowance. The entry to record the allowance would be recorded with transaction FBS1 in period 13:

Debit NBR-Revenue (The most appropriate GL account(s))  
Credit 1130005000 Allowance for Uncollectible Accounts

If the agency feels that the detailed listing is too large to submit to DFA-CAFR for supporting documentation, the agency should contact their CAFR liaison. If the CAFR liaison agrees that it is too large to submit on paper, then a form will be provided that may be submitted in place of the detailed listing. The form must be completed in its entirety to be accepted as a substitute for the detailed listing. A copy of the last page of the report must be attached to this form showing the total amount of receivables.

### **Deferred Revenue:**

Deferred revenue is recorded for Modified Accrual financial statements. Deferred revenue represents the portion of receivables (net of any allowance) recorded at June 30, 2005 that were not collected within 45 days of the fiscal year end. As previously mentioned, the June 30, 2005 receivable balances should be reviewed to determine the amount that must be recorded. Deferred revenue requires two entries. The first entry records the deferred revenue in period 13 for Modified Accrual purposes. The second entry removes the deferred revenue because deferred revenue is not recorded for Full Accrual purposes. The second entry is ALWAYS recorded in period 15 in fund 7006101. Both entries are made with transaction FBS1. An FBS1 entry will be automatically reversed by DFA-CAFR during fiscal year 2006. This eliminates the need for the agency to reverse these entries at the end of the next fiscal year.

The agency should determine what portion of the June 30, 2005 receivables have been collected as of August 14, 2005. The portion of receivables not collected as of August 14, 2005 should be recorded as deferred revenue.

1. To record deferred revenue for Modified Accrual purposes, an entry is made in period 13 in the agency's applicable fund (the fund where the receivable is recorded).

Debit   NBR - Revenue (Use the most appropriate GL account(s). This may be more than one account.)

Credit   2130001000 Deferred Revenue

2. Deferred revenue is not recorded for Full Accrual purposes, so an entry must be made in period 15 to remove the balance. **THIS ENTRY MUST BE MADE IN FUND 7006101.**

Debit   2130001000 Deferred Revenue

Credit   NBR – Revenue (Use the same GL account(s) used in the first entry)

### **Federal Grants Receivable:**

Each federal grant that the agency receives should be reviewed for any receivables as of June 30, 2005. There are two types of federal grants, those received on an advance basis and those received on a reimbursement basis.

#### **For those grants received on an advance basis:**

If the agency has any grants that are received on an advance basis, the details about the individual grants will need to be reviewed to see if a receivable exists at June 30, 2005. If you have a grant that is received on an advance basis, please contact your CAFR liaison for assistance.

#### **For those grants received on a reimbursement basis:**

If expenses were incurred on or before June 30, 2005 that will be reimbursed in fiscal year 2006 then the amount of those expenses should be recorded as a receivable.

After determining the total amount of federal grants receivable as of June 30, 2005, the receipts received in fiscal year 2006 should be analyzed for any amounts to be recorded as deferred revenue. For modified accrual purposes, the amount of the receivable that IS NOT collected within 45 days after June 30 must be recorded as deferred revenue.

The following entry should be made with transaction FBS1 in period 13 to record the receivables:

Debit	1130001300	Federal Receivable Accrual (Total amount of receivable)
Credit	4050004100	NBR – Grant Revenue (Amount received BY Aug 14, 2005)
Credit	2130001000	Deferred Revenue (Amount NOT collected by Aug 14, 2005)

In the Full Accrual financial statements, deferred revenue should not be recorded. Therefore, another entry is required to adjust the financial statements to Full Accrual. The following entry should be made in period 15 in fund 7006101.

Debit	2130001000	Deferred Revenue (Amount NOT collected by Aug 14, 2005)
Credit	4050004100	NBR-Grant Revenue (Amount NOT collected by Aug 14, 2005)

### **Federal Grant Revenue:**

The amounts recorded in GL accounts 4050004000 – Federal Grants & Reimbursements and 4050004100 – NBR – Grant Revenue should agree to the total amount requested for fiscal year 2005. If there is a discrepancy in the amount recorded in AASIS, the agency should determine the cause of the discrepancy and post a journal entry to correct the error. The entry should be made with transaction FB50 in period 13. The entry will have to be posted to the NBR – Grant Revenue GL account.

Supporting documentation must be submitted to DFA-CAFR to support the amount of Federal grant revenue shown on the trial balance. This documentation must include the CFDA number of the grant. The number 99.999 is not acceptable as a number. All federal grants have a CFDA number assigned to them. A summary by CFDA number can be submitted if the individual requests would be too numerous to submit.

As stated in the Financial Management Guide, all grants (whether federal, state, or other) **MUST** be recorded in the project module. This requires the use of WBS elements on all activity related to a grant. The agency should verify that this is being done, and if it is not, the agency should take the necessary steps to implement this for fiscal year 2006. There is courseware available on the AASIS web site to assist in the set up and use of the project system at [http://www.arkansas.gov/dfa/aasis/AASIS\\_Training/CONTROLLING/aasis\\_training\\_PR\\_JACT.html](http://www.arkansas.gov/dfa/aasis/AASIS_Training/CONTROLLING/aasis_training_PR_JACT.html). If the agency has any questions concerning the project system, they should contact their CAFR liaison for assistance.